

## SENATOR JEFF BINGAMAN

### WHAT HEALTH REFORM MEANS FOR NEW MEXICANS

Health reform is important for all New Mexicans. The cost of medical care in New Mexico is rising and increasingly unaffordable. Our state has had some of the greatest increases in health insurance premium costs in the nation.<sup>1</sup> New Mexicans also spend more on health insurance premiums as a percentage of their income than almost all other Americans.<sup>2</sup> Reform will reduce costs while instituting key insurance market reforms, such as ending rescissions (cancellation of policies), discrimination based on pre-existing conditions, and restrictive annual coverage limits.

**Reform will improve health care quality, access, and coverage for all New Mexicans.**

#### *For Individuals and Families Happy with their Current Coverage through their Employer...*

- Reform ensures that you **can keep what you have**. You do *not* have to purchase new coverage through health insurance exchanges.<sup>3</sup>
- Reform will also help you **protect your coverage** by introducing important policies to put downward pressure on the cost of premiums, requirements that the coverage continues to be meaningful, and significant improvements in the overall quality of and access to health care.
- The non-partisan Congressional Budget Office estimates reform may **reduce premium costs** for American families receiving coverage through large employers by up to 3%.<sup>4</sup>

#### *For Small Business Owners and Employees of Small Businesses...*

- Reform means that nearly 23,000 small businesses in New Mexico—employing over 100,000 people—who are often unable to afford to offer health insurance to their employees, will now be able to do so because of **tax credits that will subsidize up to 50%** of the employer's share of health insurance premiums.<sup>5</sup>
- Small businesses with under 50 employees, however, are **not** mandated to provide coverage.
- Small businesses can also participate in **health insurance exchanges**, marketplaces where they can easily select a guaranteed and affordable source of meaningful coverage for their employees.
- For businesses receiving a tax credit and their employees, **premiums would decrease** by about 8 percent to 11 percent compared with their costs prior to reform.<sup>6</sup>
- By reducing employer-borne health care costs, reform will create **1,300-2,000 jobs** in New Mexico.<sup>7</sup>

#### *For People Who Buy Insurance on the Individual Market...*

- Nearly half of working New Mexicans are not offered employer-sponsored coverage and must buy coverage on the individual market or go uninsured.<sup>8</sup> When they do seek health coverage, they have a hard time navigating insurance policies and securing affordable plans.
- Reform will provide these New Mexicans with the option to come to **new health insurance exchanges** and have a guaranteed source of meaningful coverage for themselves and their families. With subsidies, that coverage is **expected to cost 56% to 59% less in premiums** than in the individual market before reform.<sup>9</sup>

#### *For Seniors...*

- Reform works for over 290,000 Medicare beneficiaries in the state by **protecting and improving** the program, lowering out-of-pocket costs, covering preventive and wellness care, improving primary and coordinated care, and enhancing nursing home care.<sup>10</sup> Reform will also **more than double the solvency** of the Medicare trust fund – which, without health reform, was expected to go bankrupt in about 7 years.<sup>11</sup>
- Reform will immediately provide a **\$250 rebate** to Medicare beneficiaries who hit the prescription drug coverage gap or “doughnut hole” which leaves most without any coverage when total drug expenses are between \$2,830 and \$6,440.<sup>12</sup> **Reform completely closes the “doughnut hole” by 2020.**
- Beginning in 2011, reform will also guarantee **50% price discounts** on brand-name drugs and biologics purchased by low and middle-income beneficiaries in the coverage gap.

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### **THE IMMEDIATE BENEFITS OF HEALTH REFORM**

#### **Access to Affordable Coverage for those with Pre-Existing Conditions**

- ❖ Insurance companies will not be able to deny insurance coverage to children with pre-existing conditions (effective 6 months after enactment; beginning in 2014, this prohibition will apply to all persons).
- ❖ Until the exchange is available, Americans who are uninsured because of a pre-existing condition will gain immediate access to insurance through a temporary high-risk pool (effective 90 days after enactment).

#### **Closing the Coverage Gap in the Medicare (Part D) Drug Benefit**

- ❖ Reform immediately provides a \$250 rebate to Medicare beneficiaries who hit the Medicare prescription drug coverage gap or “donut hole.” Beginning in 2011, reform also guarantees 50% discounts on brand-name drugs purchased by low and middle-income beneficiaries in the coverage gap. Reform closes the “donut hole” by 2020.

#### **Protection from Rescissions of Existing Coverage**

- ❖ Will stop insurers from “rescinding” (cancelling) insurance coverage to people when they get sick and file claims, except in cases of fraud or intentional misrepresentation of material fact (effective 6 months after enactment).

#### **Free Prevention and Wellness Benefits**

- ❖ Requires coverage of preventative and wellness services in new private plans and in Medicare with no co-pays or deductibles (effective for private plans 6 months after enactment; applies to all plans in 2018; Medicare effective January 1, 2011).

#### **No Arbitrary Limits on Coverage**

- ❖ In new insurance plans, the law tightly restricts the use of annual and lifetime limits to restrict benefits (effective 6 months after enactment; applies to all plans in 2014).

#### **Extension of Dependent Coverage for Young Adults**

- ❖ Reform requires insurers to allow parents to opt to maintain family coverage for young adults up to 26 years of age (effective 6 months after enactment).

#### **Boosting Community Health Centers**

- ❖ Provides \$11 billion for Community Health Centers to allow for nearly a doubling of the number of patients seen over the next 5 years (effective beginning in FY 2010).

#### **Ensuring Value for Premium Payments**

- ❖ Requires plans in the individual and small group market to spend at least 80% of premiums on health benefits, not insurance company administrative expenses. Large group plans must spend at least 85%. Requires premium rebates for insurers that exceed established standards for overhead expenses (effective January 1, 2011).

#### **Re-insurance for Retiree Health Benefits Plans**

- ❖ Offers immediate access to a re-insurance program to help offset the costs of expensive health claims for employers that provide health benefits to early retirees, aged 55-64 (effective 90 days after enactment).

#### **Fairness and Help in Navigating the Health Insurance System**

- ❖ Consumers in new health plans may use an effective process to appeal coverage determinations and claims (effective 6 months after enactment). Consumers will also have access to a new website with information on comparable insurance options (by July 1, 2010) and will also be able to obtain assistance in enrolling in health plans or filing complaints and appeals (effective in FY 2010).

## Sources

<sup>1</sup> Elizabeth Carpenter and Sarah Axeen, “The Cost of Doing Nothing, Why the Cost of Failing to Fix Our Health System is Greater than the Cost of Reform,” New America Foundation (November 2008)

[<http://www.newamerica.net/files/nafmigration/NAFCostofDoingNothing.pdf>].

<sup>2</sup> Ibid.

<sup>3</sup> The Kaiser Family Foundation, “New Mexico: Health Insurance Coverage of the Total Population (2007-2008),” data source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau’s March 2008 and 2009 Current Population Survey (CPS: Annual Social and Economic Supplements)

[<http://www.statehealthfacts.org/profileind.jsp?ind=125&cat=3&rgn=33>].

<sup>4</sup> Congressional Budget Office, “An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act”

(November 30, 2009) [<http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf>]. See also [<http://cboblog.cbo.gov/?p=434>]

<sup>5</sup> The White House / Healthreform.gov, “Health Insurance Reform and New Mexico: The Case for Change,”

[<http://www.healthreform.gov/reports/statehealthreform/newmexico.html>]; Democratic Policy Committee, “The Benefits of Health Reform in New Mexico,” [[http://dpc.senate.gov/docs/sr-111-2-41\\_states/nm.pdf](http://dpc.senate.gov/docs/sr-111-2-41_states/nm.pdf)].

<sup>6</sup> Congressional Budget Office, “An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act”

(November 30, 2009) [<http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf>]. See also [<http://cboblog.cbo.gov/?p=434>].

<sup>7</sup> U.S. Public Interest Research Group, “As Passage of Health Bill Nears, Research Shows New Jobs in Every State,” (January 20, 2010), [<http://www.uspirg.org/newsroom/health-care/health-care-news/washington-d.c.-as-passage-of-health-bill-nears-research-shows-new-jobs-in-every-state>].

<sup>8</sup> The Kaiser Family Foundation, “New Mexico: Percent of Private Sector Establishments That Offer Health Insurance to Employees, 2008,” data source: Agency for Healthcare Research and Quality, Center for Cost and Financing Studies 2008 Medical Expenditure Panel Survey - Insurance Component Table II.A.2 [<http://www.statehealthfacts.org/profileind.jsp?ind=175&cat=3&rgn=33>].

<sup>9</sup> Congressional Budget Office, “An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act” (November 30, 2009) [<http://www.cbo.gov/ftpdocs/107xx/doc10781/11-30-Premiums.pdf>], p. 7.

<sup>10</sup> The Kaiser Family Foundation, “New Mexico: Medicare Enrollment,” data source: CMS Statistics: Medicare State Enrollment, Centers for Medicare and Medicaid Services [<http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=74&rgn=33>].

<sup>11</sup> Congressional Budget Office, “Estimated Effect of the Patient Protection and Affordable Care Act on the Hospital Insurance Trust Fund,” [[http://www.cbo.gov/ftpdocs/107xx/doc10731/Estimated\\_Effects\\_of\\_PPACA\\_on\\_HI\\_TF.pdf](http://www.cbo.gov/ftpdocs/107xx/doc10731/Estimated_Effects_of_PPACA_on_HI_TF.pdf)].

<sup>12</sup> The Kaiser Family Foundation, “Medicare: A Primer 2010,” [<http://www.kff.org/medicare/upload/7615-03.pdf>].